

CITY OF WOODWARD, IOWA

Independent Auditors' Reports
Basic Financial Statements and
Supplemental Information
and Findings

June 30, 2008

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City of Woodward, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Chock	Mayor	January, 2012
Ashvin Patel	Council Member	January, 2012
Merle Shawd	Council Member	January, 2010
Gina Webb	Council Member	January, 2012
David Wheeler	Council Member	January, 2010
Paul Thompson	Council Member	January, 2010
Christina Perkins	City Clerk	Indefinite
Valerie Purvis	Treasurer	Indefinite
Everett Albers	City Attorney	Indefinite

POLLARD AND COMPANY P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Woodward

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodward, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodward as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also included our reports on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodward's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

February 10, 2009

Pollard and Company P.C.

CITY OF WOODWARD MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Woodward provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements and the accompanying notes, which follow.

FINANCIAL HIGHLIGHTS

- The City's receipts totaled \$1,060,890 for the year ended June 30, 2008, a 17% decrease from 2007.
- Disbursements for the year totaled \$1,183,574 which is a 14% decrease from 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the city as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets are divided into two types of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, and storm sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Government funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as: Road Use Tax, Local Option Sales Tax, Emergency, and Employee Benefits ; and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Transfers In and Out are an accounting device used to accumulate receipts and allocate costs internally among the City's various funds.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds are used to report business type activities. The City maintains four funds to provide separate information for the water, sewer, and storm water operating and capital project funds considering these to be major funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental-wide activities decreased \$ 112,684 during the year ended June 30, 2008.

The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets	
	<u>Year ended June 30,</u> <u>2008</u>
Program receipts:	
Charges for service	\$440,062
Operating grants, contributions and restricted interest	119,506
General receipts:	
Property tax	361,635
Other general receipts	31,529
Local option Sales taxes	108,158
Total receipts	1,060,890
Disbursements:	
Water	175,941
Sewer	166,169
Storm Sewer	10,855
Total business type disbursements	352,965
Public safety disbursements	136,071
Public works disbursements	360,499
Health and Social Services	666
Culture and recreation	83,910
Community and economic development	1,210
General government	104,895
Capital Projects	5,575
Debt service	127,783
Total governmental type disbursements	820,609
Total Disbursements	1,173,574
(Decrease) in Cash Basis Net Assets	(112,684)
Cash basis net assets beginning of year	870,660
Cash basis net assets end of year	\$757,976

INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS

The following are the major reasons for the changes in fund balances of certain major funds from the prior year.

- The General Fund decreased \$21,863 after required transfers were made from other funds.
- Local Option Sales Tax Fund decreased \$34,317 due to the required transfer of \$142,295 to the general fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$5,630 mainly as a result of rate increases.
- The Sewer Fund cash balance decreased \$6,121 but should be stabilized in the future by rate increases.
- The Storm Sewer Funds cash balance decreased \$26,640 due to project costs paid during the year.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$1,210,000 in bonds and notes, compared to \$1,321,000 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	<u>2008</u>	<u>2007</u>
General obligation bonds/ notes	815,000	905,000
Revenue bonds	<u>395,000</u>	<u>416,000</u>
Total	\$1,210,000	\$1,321,000

The City's outstanding general obligation debt of \$815,000 is below its constitutional debt limit of 5% of the taxable value of the properties.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Woodward's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2008 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slow residential housing market and modest increases in energy prices in 2006-2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the overall budget are \$1.4 million, an approximately \$200,000 increase over the final 2008 budget due to appropriations for: the planning and design of the new water plant, city hall purchase and remodel, and sewer lining project. Budgeted disbursements for operations are expected to remain fairly similar to the final 2008 actual.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Christina Perkins, City Clerk, 105 E 2nd Street, Woodward, Iowa.

City of Woodward, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants, Contributions, and Restricted Interest
Governmental Activities			
Public safety	\$ 136,071	\$ 2,414	\$ 5,942
Public works	360,499	71,878	102,807
Health and Social Services	666		
Culture and recreation	83,910		10,757
Community and economic development	1,210		
General government	104,895	22,936	
Capital Projects	5,575		
Debt service	127,783		
Total governmental activities	820,609	97,228	119,506
Business Type Activities			
Water	175,941	181,571	
Sewer	166,169	160,048	
Storm Sewer	10,855	1,215	
Total business type activities	352,965	342,834	
Total	\$ 1,173,574	\$ 440,062	\$ 119,506

General Receipts
Property tax levied for
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Transfers
Miscellaneous
Total general receipts
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash basis net assets
Restricted (Deficit)
 Capital improvements
 Streets
 Debt service
 Other purposes
Unrestricted (deficit)
Total cash basis net assets

There were no reconciling items between the Governmental and Fiduciary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash
Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (127,715)		\$ (127,715)
(185,814)		(185,814)
(666)		
(73,153)		(73,153)
(1,210)		(1,210)
(81,959)		(81,959)
(5,575)		
(127,783)		(127,783)
(603,875)		(597,634)
	5,630	5,630
	(6,121)	(6,121)
	(9,640)	(9,640)
	(10,131)	(10,131)
\$ (603,875)	\$ (10,131)	\$ (614,006)

234,736		234,736
126,899		126,899
108,158		108,158
26,245		26,245
17,000	(17,000)	
5,284		5,284
518,322	(17,000)	501,322
(85,553)	(27,131)	(112,684)
528,311	342,349	870,660
\$ 442,758	\$ 315,218	\$ 757,976

\$ 4,381	\$ 15,381	\$ 687,151
\$ 23,892		\$ 23,892
\$ 5,823	2,738	8,561
\$ 153,878		153,878
\$ 254,784	297,099	551,883
\$ 442,758	\$ 315,218	\$ 757,976

City of Woodward, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Local Option SalesTax	Emergency
Receipts				
Property Taxes	\$ 174,159	\$		\$ 5,303
Other City Tax			108,158	
Licenses and Permits	1,687			
Use of Money and Property	26,245			
Intergovernmental	16,699	102,807		
Charges for Services	97,228			
Miscellaneous	3,562			
Total Receipts	319,580	102,807	108,158	5,303
Disbursements				
Operating				
Public Safety	119,892			
Public Works	227,830	111,630		
Health and Social Services	666			
Culture and Recreation	73,764			
Community and Economic Development	1,210			
General Government	94,810			
Capital Projects				
Debt Service				
Total Disbursements	518,172	111,630		
Excess (deficiency) of receipts over (under) disbursements	(198,592)	(8,823)	108,158	5,303
Other financing sources (uses)				
Operating transfers in	176,729			
Operating transfers out			(142,295)	(5,303)
Total other financing sources (uses)	176,729		(142,295)	(5,303)
Net change in cash balances	(21,863)	(8,823)	(34,137)	
Cash balance (deficit) - beginning of year	276,647	32,715	166,275	3,905
Cash balance (deficit) - end of year	\$ 254,784	\$ 23,892	\$ 132,138	\$ 3,905
Cash basis fund balances (deficit)				
Unreserved				
Debt service	\$	\$	\$	\$
General fund	254,784			
Special revenue funds		23,892	132,138	3,905
Total cash basis fund balances (deficit)	\$ 254,784	\$ 23,892	\$ 132,138	\$ 3,905

See notes to financial statements

Special Revenue

		Other Nonmajor Governmental Funds		Total
Employee Benefits	Debt Service			
\$ 55,274	\$ 126,899			\$ 361,635
				108,158
				1,687
				26,245
				119,506
				97,228
		35		3,597
55,274	126,899	35		718,056
16,179				136,071
21,039				360,499
				666
3,678		6,468		83,910
				1,210
9,285	800			104,895
		5,575		5,575
	127,783			127,783
50,181	128,583	12,043		820,609
5,093	(1,684)	(12,008)		(102,553)
		1,535		178,264
		(13,666)		(161,264)
		(12,131)		17,000
5,093	(1,684)	(24,139)		(85,553)
12,742	7,507	28,520		528,311
\$ 17,835	\$ 5,823	\$ 4,381	\$	442,758
\$	\$ 5,823	\$	\$	5,823
				254,784
17,835		4,381		182,151
\$ 17,835	\$ 5,823	\$ 4,381	\$	442,758

City of Woodward, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2008

	Water	Sewer	Storm Sewer	Storm Sewer Capital Project	Total
Operating receipts					
Use of money and property	\$ 7,867	\$ 3,652		\$	\$ 11,519
Charges for service	173,704	156,396	1,215		331,315
Total operating receipts	181,571	160,048	1,215		342,834
Operating disbursements					
Business type activities	175,941	132,689		10,855	319,485
Excess (Deficiency) of operating receipts over operating disbursements	5,630	27,359	1,215	(10,855)	23,349
Non-operating receipts (disbursements)					
Operating transfers-out		-	-	(17,000)	(17,000)
Debt service	-	(33,480)	-		(33,480)
Total non-operating receipts (disbursements)	-	(33,480)	-		(50,480)
Net change in cash balances	5,630	(6,121)	1,215	(27,855)	(27,131)
Cash balances - beginning of year	144,222	154,891		43,236	342,349
Cash balances - end of year	<u>\$ 149,852</u>	<u>\$ 148,770</u>	<u>\$ 1,215</u>	<u>\$ 15,381</u>	<u>\$ 315,218</u>
Cash basis fund balances					
Reserved for debt service	\$	\$ 2,738	\$	\$	\$ 2,738
Reserved for capital improvements				15,381	15,381
Unreserved	149,852	146,032	1,215		297,099
Total cash basis fund balances	<u>\$ 149,852</u>	<u>\$ 148,770</u>	<u>\$ 1,215</u>	<u>\$ 15,381</u>	<u>\$ 315,218</u>

See notes to financial statements.

CITY OF WOODWARD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I/ Summary of Significant Accounting Policies

The City of Woodward is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Joint E-911 Service Board, and Dallas County Emergency Management Commission.

In addition, the City is a member of the Woodward Community Fire Department along with the townships of Beaver, Des Moines, Peoples and Cass to provide fire protection and emergency assistance. During the year, the City paid the Woodward Community Fire Department \$20,055.

The City also participates in a 28E agreement with the Woodward-Granger Community School District and the City of Granger to divide the school's portion of the Dallas County local option sales tax with each city receiving 15 % and the school the remaining 70%. During the year the City received \$108,158.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements -- Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax is used to account for the City's sales tax receipts and the disbursements financed by such.

Emergency Fund is used to account for the City's emergency levy and the disbursements financed by such.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Sewer Fund accounts for the operation of the City's storm water disposal system.

C. Measurement Focus and Basis of Accounting

The City of Woodward maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Debt Service function.

2/ Cash and Pooled Investments

The City's deposits at June 30, 2008 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the City.

3/ Notes Payable

The annual debt service requirement to maturity for general obligation notes and bonds, and the sewer revenue bonds is as follows:

Year Ending June 30,	General Obligation Notes and Bonds		Sewer Revenue Bonds		Total Annual Debt Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	95,000	33,826	21,000	11,850	116,000	45,676
2010	95,000	30,773	22,000	11,220	117,000	41,993
2011	100,000	27,406	23,000	10,560	123,000	37,966
2012	105,000	23,530	23,000	9,870	128,000	33,400
2013	45,000	19,195	24,000	9,180	69,000	28,375
2014-18	195,000	68,858	131,000	34,680	326,000	103,538
2019-23	180,000	22,715	151,000	13,830	331,000	36,545
Totals	\$ 815,000	\$ 226,303	\$ 395,000	\$ 101,190	\$ 1,210,000	\$ 327,493

The City has pledged future sewer receipts, net of specified operating disbursements, to repay \$600,000 in sewer revenue bonds issued in May 2003. Proceeds were used to provide financing for the construction of improvements to the sewer plant. The obligations are payable solely from sewer customer net receipts and are payable through 2023. The total principal and interest remaining to be paid on the obligations is \$ 496,190. For the current year, principal and interest paid was \$ 33,480 and total customer net receipts were \$27,359.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- The bonds will only be redeemed from the future earnings of the sewer activity and the holders hold a lien on the future earnings of the sewer fund.
- Sufficient monthly transfers shall be made to a separate revenue bond sinking account for the purpose of making the next principal and interest payments.
- The City shall establish, impose, adjust and provide for the sewer rates to produce gross revenues at least sufficient to leave a balance, after specified operating disbursements, equal to 110% of the principal and interest due in any fiscal year.

Effective May 1, 2008 , the City did increase rates as required by the above resolution.

5/ Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008 was \$17,107, equal to the required contribution for that year.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The liability is computed based on the rate of pay as of June 30, 2008. The City's approximate liability for earned vacation payable to employees at June 30, 2008, primarily relating to the General Fund, was \$11,000.

8/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Emergency Levy	General	\$ 5,303
Community Center	General	13,666
Local Option Sales Tax	General	142,295
Storm Sewer	General	17,000
Total		\$178,264

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9/ Related Party Transactions

The City had business transactions between the City and a City official totaling \$ 411 during the year ended June 30, 2008.

10/ Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

10/ Risk Management (continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Woodward's annual contributions to the Pool for the year ended June 30, 2008 were \$14,943.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The City of Woodward also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

City of Woodward, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property Taxes	\$ 361,635	
Other city tax	108,158	
Licenses and permits	1,687	
Use of money and property	26,245	11,519
Intergovernmental	119,506	
Charges for Service	97,228	331,315
Miscellaneous	3,597	
Total Receipts	<u>718,056</u>	<u>342,834</u>
Disbursements		
Public safety	136,071	
Public works	360,499	
Health and social services	666	
Culture and recreation	83,910	
Community and economic development	1,210	
General government	104,895	
Capital Projects	5,575	
Debt service	127,783	
Business type activities		362,965
Total Disbursements	<u>820,609</u>	<u>362,965</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(102,553)</u>	<u>(20,131)</u>
Other financing (uses) net	<u>17,000</u>	<u>(17,000)</u>
Excess (deficiency) of receipts over disbursements and other financing uses	<u>(85,553)</u>	<u>(37,131)</u>
Balance - beginning of year	528,311	342,349
Balance - end of year	<u>\$ 442,758</u>	<u>\$ 305,218</u>

See accompanying independent auditors' report.

Budgeted Amounts			
Net	Original	Final	Final to Net Variance
\$ 361,635	\$ 352,464	\$ 352,464	\$ 9,171
108,158	76,300	107,902	256
1,687	3,975	4,960	(3,273)
37,764	16,500	23,500	14,264
119,506	116,005	117,617	1,889
428,543	411,492	420,759	7,784
3,597	9,350	10,297	(6,700)
1,060,890	986,086	1,037,499	23,391
136,071	137,530	137,530	1,459
360,499	348,232	380,462	19,963
666	3,490	3,490	2,824
83,910	85,075	110,076	26,166
1,210	10,320	10,320	9,110
104,895	60,893	120,418	15,523
5,575	10,000	10,000	4,425
127,783	126,920	126,920	(863)
362,965	414,378	414,378	51,413
1,183,574	1,196,838	1,313,594	130,020
(122,684)	(210,752)	(276,095)	153,411
(122,684)	(210,752)	(276,095)	153,411
870,660	895,329	895,329	(24,669)
\$ 747,976	\$ 684,577	\$ 619,234	\$ 128,742

City of Woodward, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$116,756. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Debt Service function.

City of Woodward, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2008

	Parks and Recreation	Centennial	REAP	Total
Receipts				
Miscellaneous	\$ 35	\$ -	\$ -	\$ 35
Total Receipts	35			35
Disbursements				
Culture and recreation	6,468			6,468
Capital Projects			5,575	5,575
Total Disbursements	6,468		5,575	12,043
Excess (deficiency) of receipts over (under) disbursements	(6,433)		(5,575)	(12,008)
Other financing uses				
Operating transfers in			1,535	1,535
Operating transfers out		(13,666)		(13,666)
Total other financing uses		(13,666)	1,535	(12,131)
Net change in cash balances	(6,433)	(13,666)	(4,040)	(24,139)
Cash balance - beginning of year	10,814	13,666	4,040	28,520
Cash balance - end of year	\$ 4,381	\$	\$	\$4,381
Cash basis fund balances				
Capital Projects	\$ 4,381			\$ 4,381
Total cash basis fund balances	\$ 4,381	\$	\$	\$4,381

See accompanying independent auditors' report.

City of Woodward, Iowa
Schedule of Indebtedness
For the year ended June 30, 2008

			Amount Originally Issued
	Date of Issue	Interest Rates	
Obligation			
General Obligation Notes/ Bonds			
Street Improvement Notes	September 1, 2003	3.20-4.15%	\$ 500,000
Storm Sewer Bonds 2006A	May 15, 2006	3.95-4.95%	625,000
Totals			
Revenue Bonds			
Sewer Revenue Bonds	May 19, 2003	3.00%	\$ 600,000
Totals			

See accompanying independent auditors' report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 280,000	\$ -	\$ 55,000	\$ 225,000	\$ 10,355	\$ -
625,000	-	35,000	590,000	27,428	-
\$ 905,000	\$ -	\$ 90,000	\$ 815,000	\$ 37,783	\$ -
<hr/>					
\$ 416,000	\$ -	\$ 21,000	\$ 395,000	\$ 12,480	\$ -
\$ 416,000	\$ -	\$ 21,000	\$ 395,000	\$ 12,480	\$ -

City of Woodward, Iowa
Bond and Note Maturities
For the year ended June 30, 2008

Year Ending June 30,	General Obligation Notes and Bonds					
	Street Improvement		Storm Sewer Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 55,000	\$ 7,763	\$ 40,000	26,063	\$ 21,000	\$ 11,850
2010	55,000	6,390	40,000	24,483	22,000	11,220
2011	55,000	4,543	45,000	22,863	23,000	10,560
2012	60,000	2,490	45,000	21,040	23,000	9,870
2013			45,000	19,195	24,000	9,180
2014			50,000	17,305	25,000	8,460
2015			35,000	15,180	25,000	7,710
2016			35,000	13,675	26,000	6,960
2017			35,000	12,135	27,000	6,180
2018			40,000	10,560	28,000	5,370
2019			40,000	8,720	29,000	4,530
2020			45,000	6,840	29,000	3,660
2021			45,000	4,680	30,000	2,790
2022			50,000	2,478	31,000	1,890
2023					32,000	960
Totals	<u>\$ 225,000</u>	<u>\$ 21,186</u>	<u>\$ 590,000</u>	<u>\$ 205,217</u>	<u>\$ 395,000</u>	<u>\$ 101,190</u>

See accompanying independent auditors' report.

POLLARD AND COMPANY P.C.

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IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodward, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Woodward's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency and we considered to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be

significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodward's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Woodward's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Woodward and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

February 10, 2009

Pollard and Company P.C.

CITY OF WOODWARD, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the City Clerk occasionally, in the absence of the Treasurer, prepares the cash receipts listing, make bank deposits, and post the cash receipts.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. The City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response

We will consider this.

Conclusion

Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting

II-A-08 Certified Budget

Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the Debt Service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. In addition, the beginning balance in the second budget amendment was reported as \$895,329 rather than the \$870,661 actual balance.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget and to correct the beginning balances.

Response

The budget will be amended in the future, as applicable.

Conclusion

Response accepted.

Part II: Other Findings Related to Statutory Reporting (continued)

II-B-08 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense

We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.

II-D-08 Business Transactions

Business transactions between the City and a City official are as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ashvin Patel, Council Member, Owner AJ's Grocery	Supplies	\$411

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to be a conflict of interest, since the total transactions were less than \$2,500 during the fiscal year.

II-E-08 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-08 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

II-H-08 Revenue Bonds

No instances of non-compliance with the revenue bonds resolution were noted.